



Washington, D.C. 20505

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DIRECTORATE OF INTELLIGENCE

26 July 1983

NICARAGUA: COSTS OF THE INSURGENCY

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Summary

1 The anti-Sandinista insurgency in Nicaragua has caused the junta increasing military, economic and political costs over the past year. Large numbers of reservists have been called up to active duty, scarce resources have been diverted to military expenditures, and the population has become more aware of significant armed opposition to the regime. Furthermore, the Sandinistas are increasingly concerned that the international community will regard the situation as similar to that in El Salvador and thus pressure them to negotiate with the insurgents.

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Military Effects of the Insurgency

1 The insurgents have been able to inflict significant military costs on the Sandinista regime.

2 -- According to Sandinista statements, so far this year the insurgents have killed 600 Nicaraguans, including 250 troops.

This memorandum was requested by the Director of Central Intelligence. It was prepared by the Central America Branch, ALA. It contains information available as of 26 July 1983. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, OALA,

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- The Sandinista also have lost effective control of key border areas in northern and southern Nicaragua. In the northeast, they have had to rely increasingly on airlift because they do not fully control the main roads. In the southeast, they no longer control transportation on the San Juan River.

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To contain the insurgents, the Sandinistas have had to commit almost half their active duty forces to the northern border area. They also have had to increase the number of reservists and militia on active duty to nearly 10,000 men. In some cases, units have been kept in the field for up to five months at a time.

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- The Sandinistas have introduced a plan for national conscription because of difficulties getting enough militia volunteers to maintain adequate force levels.

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- This measure will place additional strains on the already weakened Nicaraguan economy.

Economic Losses

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The Sandinistas have experienced both direct and indirect economic losses as a result of the insurgency. These losses are especially painful to an economy already wracked by the effects of the Sandinista policies.

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- In his May speech to the Council of State, Junta Coordinator Daniel Ortega stated that insurgent activities had caused \$58 million in losses. This figure includes \$11.3 million in property damage, \$12 million in project delays, \$24.4 million in damage to production, and \$10.4 million in profit losses from exports that could not be shipped.

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- Ortega's July 19 speech stated that losses had risen to \$70 million.

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The US Embassy, using a different method for calculating the economic costs of the insurgency, recently estimated total losses of some \$52 million. This includes \$24 million for infrastructure destroyed, \$21 million for incremental military expenditures, and \$7.2 million in opportunity costs from mobilizing reserves and militia. While there have been some

additional costs of foregone production due to the insurgency, these are almost impossible to quantify.

Domestic Political Effects

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The insurgent groups have grown significantly in size during the past year, [] attracting considerable popular support in their areas of operation. Of the 10,000 guerrillas currently fighting the regime, some 6,500 are ralliers. The insurgents have been able to attract large numbers of peasants and small landowners to their ranks, particularly in the northern and southern border areas where the central government traditionally has had trouble maintaining tight control. In the Atlantic coast region, [] virtually the entire Miskito Indian population is sympathetic to the insurgent cause. The Sandinistas have forcibly evacuated over 10,000 Indians from the northeast border areas. Recently it announced it would move another 500 families from the southeast border area to "protect" them.

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The Sandinistas have used the insurgency to justify harsh repression under the state of emergency. While these measures probably are increasingly alienating the upper and middle classes, the church, and independent labor groups, the domestic opposition has been too weak and intimidated to effectively resist the regime.

Foreign Policy Concerns

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The insurgency has become the chief topic of concern in Nicaraguan foreign policy. The Sandinistas apparently fear that if the insurgency continues, Managua will be subjected to international pressure to negotiate with the guerrillas. The Sandinistas have constantly emphasized that their own insurgency is different from that of El Salvador because they are the victims of aggression, not a civil war.

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The situation of "symmetry" has yet to arise, but there are signs that it is an incipient threat to the Sandinistas. Both the (FDN) and the Democratic Revolutionary Alliance (ARDE) have publicized their willingness to negotiate with the Sandinistas. The FDN sent a letter in June to the Contadora Presidents urging that the negotiations be broadened to include the internal dimension of the regional threat to peace. The Contadora group is unlikely to respond at present, but the longer the insurgency persists the more likely that foreign leaders will suggest dialogue.

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Support for Regional Insurgents

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The counterinsurgency effort also has forced the Sandinistas to reduce the amount of support they are able to give to revolutionaries elsewhere in the region. For example [redacted]

[redacted] both the Cubans and the Sandinistas have been unable to provide sufficient aid and attention to Guatemalan and Honduran guerrilla groups because of the situation in Nicaragua. [redacted]

[redacted] Salvadoran insurgents from time to time also complain of shortages as a result of the fighting in Nicaragua.

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